

## B. CORPORATE SESSION REPORTS

### BOARD OF TRUSTEES

Joyce Palevitz, President

- 101.** The Board of Trustees represents the New York Conference in property, insurance, investment and legal matters under the authority of the Annual Conference. The members of the Board of Trustees are Joyce Palevitz, President, Rev. David Johnson, Vice President, Rose Walker, Secretary, Michael Denny, Treasurer, Rev. Dr. John E. Carrington, Nona Greene Grady, Rev. Virginia (Ginny) Hoch, Arnold Jones, Rev. Kenneth Kieffer, Jorge Lockward, Edmund Ruppmann, and Chris Wilson. Providing information and counsel have included Bishop Jeremiah Park, Ernest Swiggett, Conference Treasurer/Director of Administrative Services, Ann Pearson, Council Director for Connectional Ministries and Noel Chin, cabinet liaison to the Trustees.

Mr. Lawrence McGaughey, Esquire is our Conference Chancellor. He provides legal advice to the Trustees and the Cabinet on pending and threatened litigation, real estate transactions, and other corporate matters that affect the Conference.

- 102. Investments.** The Trustees hold funds on deposit with the United Methodist Frontier Foundation of the United Methodist Church. The funds on deposit are held and managed for accounts of the New York Annual Conference as well as trust accounts for local churches and other organizations within the Conference. We work with and receive reports from the United Methodist Frontier Foundation to ensure that the fund portfolios are carefully and prudently managed for both long-term growth and fixed-income objectives. Major activity and performance for the year 2007 included (#'s 103 – 107 below):
- 103. Trust Funds.** These are funds held in trust for churches and other United Methodist organizations. Local churches can now work with the Trustees and the Frontier Foundation (within the constraints of the original bequest) to specify an investment mix that best suits their needs. Opening balance for the trust portfolio was \$1,762,560.64 and after distributions, \$1,724,330.51 at the close of 2007.
- 104. Trustees Conference Center Fund.** This fund contains money received from the sale of the former center at Rye, New York, as well as additional money from the Conference Center fund-raising program. This fund began the year with a balance of \$374,700. In December 2007, a \$284,000 distribution was made to the Conference as a bridge loan to cover insurance premiums (which are expected to be re-paid by December, 2008), leading to an ending balance of \$115,752.

- 105. New Church Growth and Development Fund.** Funds are received from the sale of abandoned churches in the Conference, and are used for funding for the development of new churches. The beginning balance was \$392,021; the year-end balance is \$347,404 after a June 2007 distribution to Bushwick Parish (Brooklyn) of \$5,000 and an August distribution of \$60,000 to Light and Life UMC in Tuckahoe (formerly HanSaRang UMC).
- 106. Conference Permanent Endowment Fund.** At the 2002 Annual Conference this fund was established for gifts and bequests to the Conference. The balance of this fund at year-end 2007 was \$13,787, up from \$13,041 in 2006, representing an increase of 5.72%.
- 107. Sessions Woods and Darling Funds.** Income from this fund provides support for Outdoor Ministries Programs. The balance year-end 2006 was \$483,865.37. In accordance with Conference 2005 action, the Trustees made distributions in the year 2007 at the request of the Camps Governing Board of \$218,500. At year-end 2007, \$278,033 remained available in this fund.
- 108. Conference Center.** During the first-half of the year we created a Conference Center capital project portfolio incorporating known problems, requests, and results of site inspections. The projects are prioritized based on impact and available capital funds. Examples of high-priority and significant capital projects include repairing the building roof, preventing water penetration in the curtain wall and foundation, and creating a commercial-grade kitchen space next to the Learning Center. In August we engaged Gale Associates for two projects — to investigate and report on the Conference Center's roof, and the parking lot and driveway. Gale Associates is a nationally renowned engineering firm with specialties in building envelopes and civil engineering. We included the parking lot and driveway investigation in the scope of work because the surface grade and storm water drainage systems in these areas are potential factors in the building foundation's water problems. Work products are different for each project but will include recommendations, cost estimates, bidding documents, and master project specifications with associated engineering drawings. Engineers and technicians from Gale conducted the necessary building and site investigations early in November and they will present their reports to us during January of 2008.

The initial phase of the commercial-grade kitchen project began in November under the leadership of Ray Orr. Ray, as many of you will recall, was one of the project executives for the Conference Center Renovation project in 2001. The purpose of this phase is to compare the original documents against changes in our needs, building codes and construction costs since 2001. The work products will be a recommendation for required alterations and a preliminary cost estimate. This first step in will conclude in January of 2008.

In November and December a grounds management contractor completed a number of fencing projects at the site. These included replacing the privacy fencing along the southern (parking lot) edge, installing perimeter fencing for the 0.6 acre (1.6 ha) natural landscape area in the southwest corner of our property, renovating and adding a maintenance gate to the original perimeter fencing, and replacing the parking lot guard rail.

We continue working with the NY Annual Conference Archives & History Commission to find a new space for the Archives. During the interim we have put in place changes to operations and maintenance which will lessen the likelihood of water accumulating next to the foundation near the Archives.

- 109. Insurance.** The committee worked throughout 2007 implementing the transition from Guide One Insurance Company to Property and Casualty Trust (PACT), a United Methodist owned Insurance captive. All churches are enrolled in the workers compensation program with PACT. Over 100 churches are taking advantage of the property and liability coverage's through PACT. The program has the capacity to assist all local churches and church agencies in securing coverage. In addition to meeting all the minimum standards of coverage adopted at Annual Conference in 2006, the program also has an Umbrella program providing \$5,000,000 of coverage in addition to the liability limits over the general liability, auto and workers compensation coverage.

PACT will undergo a program to inspect all churches over a 5-year period beginning in 2008. The inspection will ensure the church buildings have appropriate coverage and provide risk management recommendations to local churches to assure their properties are being safely maintained. PACT will also be reviewing churches enrolled in the property casualty program to ensure they have a "safe sanctuary" policy including the steps taken to protect children from sexual molestation.

One of the key benefits to being involved with PACT is the risk management information, which is available at the [www.umcpact.org](http://www.umcpact.org) web site. This information will assist churches in establishing policies and procedures to protect churches from experiencing insurance claims. All churches within the conference can access this information. Several times a year PACT will host informative "webinar's" to assist the local church with specific issues developed for United Methodist Churches.

The Insurance committee continues to meet with PACT representatives to assist in monitoring claims, developing underwriting information and policy administration. Interested churches that are not currently obtaining their property casualty insurance may contact the program administrator at 914-697-6033.

- 110. United Methodist Churches of the Village.** The Trustees have been in continuous discussions this year with the Church of the Village regarding the disposition of the property on St. Marks Place in Manhattan. The Trustees, Bishop and Cabinet have affirmed the need to explore and implement a vision wherein the Church of the Village will use their own investment funds to renovate the property and partner with the conference and other interested parties to develop an Urban Ministry Institute. This vision also includes providing office space for the Metropolitan District Superintendent.
- 111. Legal matters.** Litigation has again become active for the Annual Conference.
1. *Hankins v. Lyght* – The plaintiff in this case, Rev. John Paul Hankins, was retired under the UMC mandatory retirement rule when he became 70 years of age in 20\_\_\_\_. On appeal two years ago, the 2<sup>nd</sup> Circuit Court of Appeals sent this case back with directions to the District Court to use the procedural analysis of the Federal Religious Freedom Restoration Act (“RFRA”) to determine whether overturning the UMC “mandatory retirement” rule on the grounds of unlawful age discrimination would create a “substantial burden” on UMC. This was precedent setting, because previously the courts had taken the position that cases involving employment decisions for clergy in local church were “non-justifiable,” meaning under the First Amendment of the US Constitution the court’s have no jurisdiction to rule in such bases. Has RFRA, adopted to protect religious institution, unwittingly changed the standard of deciding clergy employment cases? In its ruling on rehearing decided September 28, 2007, the District Court stated that implicitly it disagreed with the Circuit court decisions as to the standard to be applied, that it continued to believe the courts have no jurisdiction, but that under *either standard of review*, the outcome is the same – that the courts will not interfere. Once again, Rev. Hankins has appealed to the 2<sup>nd</sup> Circuit Court of Appeals, and both sides have recently submitted their appeal briefs. Oral argument of the case will occur later this year, and a decision is likely to come next year.
  2. *Thompson v. Norman* – The plaintiff, who was a secretary of a local church in the Long Island West District who was terminated for cause in April, 2007, brought a human rights discrimination case against the pastor and local church. That case was dismissed. However, in October, 2007, the plaintiff commenced a lawsuit alleging defamation and intentional infliction of emotional distress. This lawsuit names not only the pastor and local church, but also the Long Island West District as defendants. Just before coming to Conference, notice was received from the insurer disclaiming coverage on the grounds of late notice. The disclaimer has been protested, and the Trustees are evaluating possible further action.

3. *Pedrosa v. St. John's Ridgewood UMC* – This case concerns a slip and fall on the public sidewalk in front of this local church on February 13, 2006. Initially, the local church alone was sued on the grounds that the sidewalk had not been properly cleared after a snow storm (which the local church denies). However, when the local church was unable to produce a deed to its property, the plaintiff's attorney served a supplemental summons on March 11, 2008, naming the Annual Conference as an additional defendant. Apparently, the theory was to cover the possibility that the Conference was the property owner. The Conference's defense in this case is covered by insurance which should be adequate. Hopefully, the case will be dismissal on one of several theories by which the Conference is not liable for the claim.

- 112. Conference Properties List:** The following is a list of known properties in which title is in NYAC, or abandoned or discontinued properties in which NYAC may have a real property interest:

*Properties with title in NYAC:*

- Conference Center, 20 Soundview Avenue, White Plains, NY
- Episcopal Residence, New Rochelle, NY
- Epworth Camp, Marbletown & Rochester, NY
- Camp Quinipet, Shelter Island, NY
- Camp Kingswood, Tompkins, NY

*Properties which have been declared abandoned and in which NYAC has a trust interest but **not** covered by NYAC insurance policy (there are active local churches that carry own insurance):*

- Church Of All Nations, NYC (1/01)
- (Greenpoint) Polish United Methodist Church, Brooklyn, NY (1/01)

*Abandoned/Discontinued and vacant Properties with title not in NYAC name in which NYAC may have a real property interest:*

- Platte Clove, Elka Hunter, NY
- West Settlement Church & vacant parcel, Windham, NY
- Livingstonville Community Church, Livingstonville, NY
- Smithtown Landing UMC, Smithtown, NY
- King Hill Methodist Church, Town of Greenville, NY

*District Properties (Title Held by District Trustees, not necessarily in current District name):*

- Connecticut, Hamden, CT
- New York/Connecticut, Stamford, CT
- Catskill Hudson, Woodstock, NY
- Long Island East, Hauppauge, NY
- Long Island West, East Williston, NY
- Metropolitan, Scarsdale, NY

*Properties in which NYAC holds a legal reverter (renewal date):*

- Cochection Center, NY (October 28, 2023 -2026)

*Property in which NYAC may hold mineral rights:*

- Morehouse Parish, LA

*Properties owned by separate legal entities in which the Conference has a controlling interest:*

- Asbury Cemetery, Saugerties, NY; title held by "NYAC Asbury Cemetery, Inc." (insurance provided by Conference)

- 113. Camp Properties Review.** We continue to work with the Camps Governing Board and the Directors of our three sites as they work to develop and implement a long-range plan for the development of our camps. Please refer to the report of the Camps Governing Board for details.

#### **RECOMMENDATIONS**

- We enthusiastically recommend, on nomination from the Bishop, the continuation of Mr. Lawrence McGaughey for his eleventh year as Conference Chancellor.

#### **THE UNITED METHODIST FRONTIER FOUNDATION, INC.**

##### **Keith A. Muhleman, President and Executive Director**

- 101.** As you know from the news and from your own local and personal experience, we have entered the worst global recession since the Depression of 1929. The current US administration has offered an economic plan for recovery that will not solve in a few weeks or months problems that have grown unattended over several decades. The UMFF bond fund did well in the current atmosphere and our blended funds performed well above the indices by which we measure our activity. Still, our equity funds are outperforming the markets even though we, like all other financial institutions, are also being affected by the economic downturn.
- 102.** Three annual conferences and over 500 local church and ministries throughout the New York region invest through the United Methodist Frontier Foundation. In 2008, churches placed 10 new accounts for over \$1.5 million with the United Methodist Frontier Foundation. We paid out \$3.5 million to churches and conferences for their use in funding their ministries, repairing buildings, scholarships, buying parsonages and installing new heating systems. In particular, funds managed by the UMFF supported the expansion and replacement of infrastructure at several camping facilities in the North Central New York Conference. At year end 2008, the United Methodist Frontier Foundation was managing approximately \$22.5 million for church ministries

and individual trusts for religious and charitable purposes. Individual charitable gift annuities managed by the UMFF totaled just under \$1 million in value at year end.

- 103.** The combination of a weak economy and a burgeoning fiscal deficit has raised fears of stagflation (a period of high unemployment and high inflation), fears that became very real during the Carter/Reagan era when double digit inflation was followed by 10% unemployment and the largest one day drop in the value of the Dow Industrials of over 22%. But the collapse of global financial markets and the demise of more than one long standing financial institution have generated contrary fears of deflation and a 1930's style depression (a period of declining prices and wages, high unemployment and negative economic growth.) The precipitous decline of the Dow Jones Industrial average is one indicator of the expectation of a continuing weak economy. In early September, 2007 the DOW was at an all-time high of 14,079 but dropped to a 25 year low just above 6000 in March of 2008. That is nearly a 60% drop in value of 30 of the largest, most stable companies in the USA. As a leading indicator, a sustained rise of the Dow average will signal a turn toward economic recovery.
- 104.** Until there is some evidence that home mortgage foreclosures, bankruptcies, massive bank losses and the general credit crunch are coming to an end, most financial pundits are cautious about forecasting a return to a growing economy in the near future. For the church, we must count on a long range investment strategy that outperforms the market and gives us a stable base for our ministry.
- 105.** All funds entrusted to the UMFF are managed by the professional fund management services of John G. Ullman and Associates in Corning, New York, and US Trust through their office in West Hartford, Connecticut. All investments are socially screened to comply with the United Methodist Social Principles by following the guidelines of the General Board of Pension and Health Benefits.
- 106.** In the current economic environment, the work of the United Methodist Frontier Foundation continues in assisting the local churches to raise capital funds for needed repairs and expansion of facilities and assist them with stewardship planning for annual campaigns, planned giving seminars and endowment development. This work is provided by our Executive Director and our very able and knowledgeable team of consultants. These individuals are the first line of contact with local churches. We are indebted to the ministry they carry out for the United Methodist Frontier Foundation.
- 107.** Our ministry is stewardship education. We participate in seminars in district settings and in local churches dealing with annual campaigns, memorial

funds, endowment development and the promotion of planned giving. We also participate with the Board of Ordained Ministries in the mandatory pastoral education program regarding local church stewardship and personal finance. Our intention for this very valuable seminar is to make it an annual event for our new clergy members and others who might be interested.

- 108.** Most of the services we provide to local churches and individuals are provided at no charge to the individual or the church (exception see Para. 109). These include assistance to individuals with their estate planning homework. We help people determine their goals for charitable and church giving and enable them to speak with their tax and legal advisors and provide suitable charitable investment vehicles and annuities to realize their goals. For local churches, we provide an initial stewardship consultation where we evaluate what they are doing and make recommendations for changes, including ways to conduct their annual campaign. We offer an initial conversation about getting ready for a capital campaign and provide a proposal for services for the church to consider. We meet with the financial leadership of a church to help them set up an endowment program. We offer seminars on planned giving and preach in local churches in conjunction with the planned giving and stewardship issues.
- 109.** We receive no apportionment monies from any conference to provide our services. We derive about half of our annual revenues from part of the one percentage point per year charge for the funds that we manage. We conduct annual and capital campaigns for a negotiated fee (ethical guidelines for professional fund-raising forbid taking a percentage of the monies raised). To assist churches in their annual giving, we provide leadership for the very successful New Consecration Sunday program which focuses on ministry and God's many gifts to us rather than paying bills. There is a flat fee of \$250, which helps to offset but does not fully cover our travel expenses.
- 110.** Our office is very capably staffed by our Office Manager, Ms. Sally Evans and Mr. Charles Rhuda, our accountant, who balances our books and ensures we operate in compliance with Generally Accepted Accounting Principles. A professional financial audit of our activities is available on request.
- 111.** Many thanks to the members of our Board of Directors who form the backbone of the United Methodist Frontier Foundation. Our highly skilled Consultants provide on-site programming that makes the work of our Foundation somewhat unique in the United Methodist Foundation system. We thank them for their dedication and long hours spent in their stewardship education tasks. As a team, the enthusiastic participation of the Board and the Consultants guides our ministry and provides the stability required to keep the United Methodist Frontier Foundation a source of financial and stewardship leadership during these difficult times.

- 112.** It is my privilege to continue to serve as the Executive Director and President of the United Methodist Frontier Foundation. As our future dawns in the region, I look forward to our new and creative ministries together and to building a stewardship culture in the churches of our region that draws its source for giving from a deep relationship to God.